

# **PUBLIC DISCLOSURE**

**June 4, 2012**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Newburyport Five Cents Savings Bank  
90251**

**63 State Street  
Newburyport, Massachusetts 01950**

**Division of Banks  
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**Federal Deposit Insurance Corporation  
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|              |   |
|--------------|---|
| <b>NOTE:</b> | This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution. |
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## GENERAL INFORMATION

The Community Reinvestment Act (“CRA”) requires the Massachusetts Division of Banks (“Division”) and the Federal Deposit Insurance Corporation (“FDIC”) to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **Newburyport Five Cents Savings Bank (or the “Bank”)** prepared by the Division and the FDIC, the institution's supervisory agencies, as of **June 4, 2012**. The agencies evaluate performance in the assessment area as defined by the institution, rather than individual branches. The Division and FDIC rate the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00 and Part 345 of the FDIC’s Rules and Regulations.

### **INSTITUTION'S CRA RATING:**

This institution is rated “**High Satisfactory**” by the Division.

This institution is rated “**Satisfactory**” by the FDIC.

Please note that the FDIC’s rating matrix does not provide for a “High Satisfactory” rating.

An institution in this group has an adequate record of helping to meet the credit needs of its assessment area, low and moderate-income neighborhoods and individuals, in a manner consistent with its resources and capabilities.

### **Lending Test:**

The institution is rated “**Satisfactory**” by the FDIC and “**High Satisfactory**” by the Division.

#### ***Loan-To-Deposit Ratio***

The loan-to-deposit (“LTD”) ratio is more than reasonable (considering seasonal variations and taking into account lending-related activities) given the institution’s size, financial condition, and assessment area credit needs. The Bank’s average net LTD ratio over the 14 quarters since the prior CRA evaluation dated January 20, 2009, was 107.12 percent.

#### ***Assessment Area Concentration***

A substantial majority of the Bank’s home mortgage and small business loans, by number and dollar amount, were originated within the designated assessment area. During 2010 and 2011 combined, 81.63 percent of the number of home mortgage loans and 83.97 percent of the number of small business loans were originated inside the assessment area. In 2010, the Bank ranked 5<sup>th</sup> out of 227 lenders in the origination of residential mortgages.

### ***Geographic Distribution***

The Bank's geographic distribution of loans reflects more than reasonable dispersion throughout the assessment area. The assessment area contains no low-income census tracts. The Bank's concentration of home mortgage loans in the area's moderate-income geographies was greater than the aggregate in 2010. The Bank also made a reasonable number and percentage of loans to small businesses within the area's moderate-income census tracts during the review period.

### ***Borrower Characteristics***

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (low- and moderate-income), and businesses of different sizes. The Bank was very similar to the aggregate market in percentage of home mortgage loans to low-income borrowers in 2010, and an equal percentage to moderate-income borrowers. The Bank responded to small business financing needs by making a reasonable number of loans to the assessment area's small businesses.

### ***Response to Complaints***

There were no CRA-related complaints during the evaluation period.

### **Community Development Test**

The institution is rated "**Satisfactory**" by the FDIC and "**High Satisfactory**" by the Division.

The institution's community development performance demonstrates good responsiveness to community development needs in its assessment area through qualified community development loans, investments, and services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment area. This rating is supported by the following factors.

#### ***Community Development Loans***

During the evaluation period, the Bank originated an adequate number of loans. Since the previous evaluation, the Bank originated five loans, totaling approximately \$3.1 million.

#### ***Community Development Investments***

The level and complexity of the Bank's qualified investments are adequate. The Bank's investments during the evaluation period consisted of charitable contributions to organizations and initiatives with a community development purpose.

#### ***Community Development Services***

The Bank is adequately involved in various community development organizations and has participated in financial literacy initiatives and first time homebuyer seminars.

## **SCOPE OF EVALUATION**

The Division and the FDIC jointly assessed the Bank's CRA performance utilizing Intermediate Small Institution ("ISI") examination procedures. These procedures include two performance tests: the Lending Test and the Community Development Test. The Lending Test is an analysis of the distribution of loans; and the Community Development Test is an evaluation of community development activities since the previous evaluation.

The Lending Test considered the Bank's home mortgage and small business lending activities. The Bank is primarily a residential lender. The Bank's most recent Report of Condition and Income ("Call Report"), dated March 31, 2012, revealed residential lending represented 69.4 percent and commercial lending represented 21.9 percent of the loan portfolio. Residential lending also represented the majority of the loan volume during the review period. Based on this information, the Bank's performance in home mortgage lending carried more weight (than small business lending) in arriving at Lending Test conclusions.

Data reviewed included originated home mortgage loans reported on the Bank's Home Mortgage Disclosure Act ("HMDA") Loan Application Registers ("LARs") for full year 2010 and 2011. The LARs contained data about home purchase and home improvement loans, including refinancings, for 1-4 family and multi-family (five or more units) properties. The Bank's 2010 home mortgage lending performance was compared against 2010 aggregate lending data within the assessment area. Aggregate data includes all financial institutions subject to HMDA that originated at least one home mortgage loan in the Bank's assessment area. The evaluation focused on the Bank's lending performance in 2010, as aggregate data for 2011 was not yet available.

Small business loans were also reviewed for the same time period. As an ISI, the Bank has the option of collecting and reporting small business lending data. The Bank opted to collect, but not report, the data. The Bank's internal records revealed that the institution originated 56 small business loans totaling \$9.9 million in 2010, and 75 small business loans totaling \$14.5 million in 2011. As the Bank is not required to report small business loan data, aggregate data was not used for comparison purposes. Instead, business demographic data was used as a means of measuring the Bank's performance.

The Bank has only a nominal number of small farm loans and consumer lending activity; thus, these product lines were not included in the evaluation.

Although the total dollar amounts of loans are discussed under the Lending Test, the evaluation is primarily based on the number of loans originated or purchased during the review period.

The Community Development Test considered the number and dollar amount of community development loans, qualified investments, and community development services. The Community Development Test includes all community development activities in which the Bank was involved from January 20, 2009 through June 4, 2012. Qualified investments that remained on the Bank's balance sheet from previous evaluations also received consideration.

Demographic information referenced in this evaluation was obtained from the 2000 United States ("U.S.") Census unless otherwise noted. Financial data about the Bank was also obtained from the March 31, 2012 Call Report.

## **PERFORMANCE CONTEXT**

### **Description of Institution**

Newburyport Five Cents Savings Bank is a mutual savings institution, incorporated under the laws of the Commonwealth of Massachusetts in 1854. The Bank is headquartered at 63 State Street, Newburyport, Massachusetts, and operates five other full-service offices located in Newburyport, Newbury, Salisbury, and two branches in Amesbury. The Bank has automated teller machines (“ATMs”) and extended Friday evening hours at each full service branch.

The Bank offers a wide variety of products and services, and retail customers can choose from an array of deposit products, including checking and savings accounts, and certificates of deposit. The Bank also offers an assortment of credit services including secured and unsecured consumer loan products such as home equity lines of credit, home improvement loans, new and used automobile loans, personal loans, and overdraft protection lines of credit.

The Bank offers online banking access through its website ([www.newburyportbank.com](http://www.newburyportbank.com)). Customers can review their account statements, transfer funds, and sign up for online bill pay. Telephone banking is also offered to customers as well as mobile banking to those that have internet-enabled mobile phones. The Bank has not opened or closed any branch offices since the prior CRA evaluation.

The Bank offers a wide variety of home financing programs such as fixed- and adjustable-rate mortgage programs for the purchase, refinance, improvement, and construction of residential property. In addition, the Bank offers programs for first-time homebuyers. Commercial customers can also choose from an array of savings and checking account services. The Bank offers a full line of commercial credit products.

The Bank had total assets of \$628 million as of March 31, 2012. Assets increased approximately \$40 million (6.4 percent) since December 31, 2008. As of March 31, 2012, total loans were \$486.5 million and represented 76.7 percent of total assets. Table 1 illustrates the distribution of the Bank’s loan portfolio as of March 31, 2012.

| <b>Table 1 - Loan Distribution as of March 31, 2012</b> |                                |                                    |
|---|--------------------------------|------------------------------------|
| <b>Loan Type</b>  | <b>Dollar Amount \$(000's)</b> | <b>Percentage of Total Loans %</b> |
| Construction and Land Development                       | 24,866                         | 5.1                                |
| Secured by Farmland                                     | 655                            | 0.1                                |
| 1-4 Family Residential                                  | 322,911                        | 66.4                               |
| Multi-Family (5 or more) Residential                    | 7,999                          | 1.6                                |
| Commercial  | 113,299                        | 23.3                               |
| <b>Total Real Estate Loans</b>                          | <b>469,730</b>                 | <b>96.5</b>                        |
| Commercial and Industrial                               | 14,379                         | 3.0                                |
| Consumer  | 2,391                          | 0.5                                |
| <b>Total Loans</b>                                      | <b>486,500</b>                 | <b>100.0</b>                       |

*Source: March 31, 2012 Call Report*

As depicted in Table 1, the Bank’s loans are primarily concentrated in residential real estate and commercial real estate. No financial or legal impediments exist that would limit or impede the Bank’s ability to meet the credit needs of its community or delineated assessment area.

Newburyport Five Cents Savings Bank operates in a competitive lending environment. The Bank faces competition from large national and regional banks, mortgage companies, community banks, and credit unions. Residential lending market share reports for 2010 revealed 227 lenders reported 4,424 originations or purchases totaling approximately \$1.12 billion in the assessment area. The top 10 home mortgage loan originators consisted of large mortgage companies, national or regional banks, and two local banks, including Newburyport Five Cents Savings Bank. The Bank ranked 5<sup>th</sup> and captured 5.2 percent of the market share. The remainder of the top 10 institutions accounted for 43.7 percent of the market share. Competitors operating within the Bank's assessment area include Bank of America, N.A.; Institution for Savings; JPMorgan Chase Bank, N.A.; Citibank, N.A.; Ally Bank (formerly GMAC Bank); GMAC Mortgage LLC; Mortgage Master, Inc.; Wells Fargo Bank, N.A.; and Wells Fargo Funding, Inc.

The Bank's previous CRA evaluation was conducted jointly by the Division and the FDIC as of January 20, 2009, using ISI procedures. The evaluation resulted in a "Satisfactory" rating.

### **Description of Assessment Area**

The CRA requires the designation of one or more assessment areas within which a financial institution's record of helping to meet the credit needs of its community will be evaluated. The Bank has one designated assessment area that conforms to CRA requirements since it consists of whole geographies, does not arbitrarily exclude low- and moderate-income areas, and does not reflect illegal discrimination. The Bank has not changed its assessment area since the previous CRA evaluation.

### **Geographies**

The Bank's assessment area encompasses six municipalities with five located within Massachusetts and 1 located within New Hampshire. The municipalities include Amesbury, Newbury, Newburyport, Salisbury, West Newbury (in MA), and Seabrook, NH. All the municipalities are located within Essex County and the Peabody, MA Metropolitan Division ("MD") 37764, except for Seabrook, NH which is located in the Rockingham County MD 40484.

The analysis for the *Geographic Distribution* section of the Lending Test is based on the distribution of loans by income level of census tract, especially in those designated low- and moderate-income. Each census tract is assigned an income level based on the median family income ("MFI") of the tract as compared to the MFI established for the Metropolitan Statistical Area ("MSA") or MD in which the tract is located. The four income levels are defined as follows:

Low-Income: Less than 50 percent of MFI

Moderate-Income: At least 50 percent but less than 80 percent of MFI

Middle-Income: At Least 80 percent but less than 120 percent of MFI

Upper-Income: 120 percent or greater of MFI

The assessment area contains 13 census tracts. There are no low-income tracts; 1 moderate-income tract; 9 middle-income tracts; and 3 upper-income tracts. The moderate-income tract is located in Seabrook, NH. There is no Bank branch located within this moderate-income census tract.

According to 2000 U.S. Census data, the population of the assessment area is 60,266. Of the total assessment area population, 7.7 percent reside in the moderate-income census tract, 69.2 percent in middle-income census tracts, and 23.1 percent in upper-income census tracts.

### Median Family Income Levels

The analysis under the *Borrower Characteristics* section of the Lending Test is primarily based on the distribution of home mortgage loans to borrowers of different incomes, using the same four income levels defined in the previous section. The analysis utilizes income data from the 2000 U.S. Census for the Peabody, MA MD that has been annually adjusted by the Department of Housing and Urban Development (“HUD”) for inflation and other economic events. The estimated 2010 and 2011 MFI figures were \$83,900 and \$86,200, respectively.

The analysis of the Bank’s home mortgage lending also includes comparisons to the distribution of assessment area families by income level. Table 2 shows this distribution based on 2000 U.S. Census data.

| Table 2 – Number and Percentage of Families by Income Level |               |                     |
|---|---------------|---------------------|
| Income Category   | 2000 Census   |                     |
|   | # of Families | % of Total Families |
| Low-Income  | 2,669         | 16.8                |
| Moderate-Income   | 2,973         | 18.7                |
| Middle-Income   | 3,715         | 23.4                |
| Upper-Income  | 6,522         | 41.1                |
| Total   | 15,879        | 100.0               |

Source: 2000 U.S. Census Data

Table 2 reveals that upper-income families represent the largest portion of total families. The percentages of families that fall into low- and moderate-income categories are very similar, with low-income representing the smallest portion of assessment area families.

### Housing Characteristics

Table 3 illustrates various housing-related statistics by census tract income level for the Bank’s assessment area.

| Table 3 – Selected Housing Characteristics by Income Category of the Geography |                |          |               |                |              |              |
|--|----------------|----------|---------------|----------------|--------------|--------------|
| Geography Income Level   | Percentage (%) |          |               |                |              |              |
|  | Census Tracts  | Families | Housing Units | Owner-Occupied | Rental Units | Vacant Units |
| Moderate   | 14.04          | 13.67    | 15.07         | 12.84          | 16.87        | 24.02        |
| Middle   | 66.83          | 62.83    | 66.31         | 62.82          | 75.13        | 63.43        |
| Upper  | 19.13          | 23.50    | 18.62         | 24.34          | 8.00         | 12.55        |
| Total / Median   | 100.00         | 100.00   | 100.00        | 100.00         | 100.00       | 100.00       |

Source: 2000 U.S. Census

Among other statistics, Table 3 depicts the distribution of owner-occupied housing units by census tract income level. Although 15.07 percent of all housing units are located in moderate-income geographies, only 12.84 percent of owner-occupied housing units in the assessment area are located in the moderate-income tract. Rental units in the moderate-income tract represent 16.87 percent of all assessment area rental units. The relatively low percentage of owner-



occupied housing units in the moderate-income tract limits the Bank's ability to make home mortgage loans in this area.

The median housing value, based on the 2000 U.S. Census, in the assessment area was \$222,088. However, more recent housing data obtained from *The Warren Group* reflects higher home values during the review period. Table 4 illustrates median home prices for the assessment area municipalities.

| Table 4 – Median Home Sales Prices |           |           |
|------------------------------------|-----------|-----------|
| City/County                        | 2010      | 2011      |
| Amesbury                           | \$245,000 | \$216,000 |
| Newbury                            | \$403,000 | \$353,500 |
| Newburyport                        | \$375,000 | \$385,000 |
| Salisbury                          | \$254,900 | \$246,500 |
| Seabrook, NH                       | \$261,385 | \$249,900 |
| West Newbury                       | \$380,000 | \$380,000 |
| Essex County (MA)                  | \$269,000 | \$268,000 |
| Rockingham County (NH)             | \$249,900 | \$240,000 |

Source: *The Warren Group*

As shown in Table 4, median home prices declined in all but 2 municipalities from 2010 to 2011. Newburyport had a slight increase and West Newbury remained stable. Home prices in Essex County were stable during the review period.

### Unemployment Data

Information on unemployment rates within the assessment area was obtained from the Massachusetts Executive Office of Labor and Workforce Development and the New Hampshire Employment Security Office. The 2011 annual unemployment rates were 6.9 percent in Amesbury, 6.6 percent in Newbury, 5.9 percent in Newburyport, 8.0 in Salisbury, 5.4 percent in West Newbury, and 7.3 percent in Seabrook, NH. While annual unemployment rates were not yet available for 2012, monthly data indicates that unemployment rates decreased in each municipality. Furthermore, the unemployment rates within the Massachusetts portion of the assessment area were slightly lower than the unemployment rate for all of MA, as well as the national average. Seabrook's rate was higher than the State average; however, it was still under the U.S. rate of 9.0 percent.

### Business Demographic Data

According to *Dun & Bradstreet* data, there were 8,097 non-farm businesses in the assessment area in 2011. Of total non-farm businesses, 12.57 percent were in moderate-income tracts; 69.10 percent were in middle-income tracts; and 18.33 were in upper-income tracts. In terms of revenues, 70.59 percent of businesses had gross annual revenues (GARs) of \$1.0 million or less, 3.46 percent had revenues greater than \$1.0 million, and 25.95 percent did not report GAR information.

### Community Contacts

As part of the evaluation process, third parties active in community affairs are contacted to assess the housing and general banking needs of the community. Relevant information obtained from such sources helps to determine whether local financial institutions are responsive to the credit and service needs of the communities and what further opportunities, if any, are available. For purposes of this evaluation, information provided by one such contact was referenced in preparing this evaluation. The contact was conducted with a local community development

corporation (“CDC”). The organization provides a number of different services including homelessness prevention, education and training, economic stabilization, a food pantry and home care. The organization primarily serves low- and moderate-income individuals and families.

The contact addressed the need for financial literacy training. The community is in need of volunteers who would be willing to utilize their financial expertise to shape financial literacy programs in ways that fit their clients’ needs, including foreclosure prevention. The contact also addressed funding needs, stating that funding is unquestionably the biggest challenge for the organization. There is some participation from local banks, but the organization would like to see financial institutions increase their involvement in providing funding and financial literacy training.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### LENDING TEST

The Lending Test considers the Bank's performance pursuant to the following criteria: LTD ratio; assessment area concentration; geographic distribution of loans; borrower characteristics; and the Bank's record of taking action in response to CRA complaints. Overall, the Bank's performance under the Lending Test is considered "High Satisfactory" by the Division and "Satisfactory" by the FDIC.

The Bank's lending performance demonstrates a reasonable responsiveness to the credit needs of the assessment area

#### Loan-To-Deposit Ratio

The Bank's LTD ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs. The Bank's average net LTD ratio over the 14 quarters since the prior CRA evaluation was 107.12 percent. The Bank's net LTD ratio as of December 31, 2011 was 106.29 percent.

Growth patterns of loans and deposits were also analyzed to assess the fluctuation in the net LTD ratio. Net loans were generally stable during the review period, with a slight decline in late 2009. Overall, net loans increased by 5.98 percent beginning with the March 31, 2009 Call Report. Total deposits generally increased during the previous 14 quarters, resulting in growth of 9.53 percent. As a result of a slightly higher deposit growth than loan growth, the net LTD ratio decreased during the review period from 109.06 percent as of March 31, 2009 to 104.93 percent as of March 31, 2012.

The Bank's net LTD ratio was compared to the LTD ratios of two locally-based, similarly situated, depository institutions as of December 31, 2011. The institutions selected are all headquartered in Essex County, have assets between \$400 million and \$650 million, and are primarily residential lenders. Newburyport Five Cents Savings Bank's average quarterly net LTD ratio was higher than the ratios of the other two institutions during the review period. Table 5 presents this comparison.

| Table 5 – Net LTD Comparison               |                    |                       |
|--|--------------------|-----------------------|
| Institution                                | Asset Size \$(000) | Average Net LTD Ratio |
| <b>Newburyport Five Cents Savings Bank</b> | <b>627,886</b>     | <b>107.12</b>         |
| Cape Ann Savings Bank                      | 436,108            | 73.13                 |
| Pentucket Bank                             | 642,217            | 83.51                 |

*Source: March 31, 2012 Call Reports*

#### Assessment Area Concentration

Overall, a substantial majority of the Bank's residential and small business loans by number and dollar amount were inside the designated assessment area. The analysis includes both residential lending and small business lending. As stated previously, more weight was placed on residential lending performance based on the composition of the Bank's loan portfolio and the volume of loans generated within each product line.

### Home Mortgage Lending

Newburyport Five Cents Savings Bank originated a substantial majority of home mortgage loans inside its assessment area in 2010 and 2011. Table 6 portrays the Bank's record of extending home mortgage loans inside and outside the assessment area during the review period.

| Table 6 – Distribution of Residential Loans Inside and Outside the Assessment Area |                 |              |           |              |            |                         |              |               |              |                |
|--|-----------------|--------------|-----------|--------------|------------|-------------------------|--------------|---------------|--------------|----------------|
| Year and Loan Purpose  | Number of Loans |              |           |              |            | Dollars in Loans (000s) |              |               |              |                |
|  | Inside          |              | Outside   |              | Total      | Inside                  |              | Outside       |              | Total          |
|  | #               | %            | #         | %            | #          | \$                      | %            | \$            | %            | \$             |
| <b>2010</b>  |                 |              |           |              |            |                         |              |               |              |                |
| Purchase   | 52              | 83.87        | 10        | 16.13        | 62         | 11,831                  | 85.90        | 1,942         | 14.10        | 13,773         |
| Home Improvement   | 24              | 92.31        | 2         | 7.69         | 26         | 4,605                   | 94.17        | 285           | 5.83         | 4,890          |
| Refinance  | 156             | 78.39        | 43        | 21.61        | 199        | 31,745                  | 76.90        | 9,538         | 23.10        | 41,283         |
| <b>Subtotal-2010 HMDA</b>  | <b>232</b>      | <b>80.84</b> | <b>55</b> | <b>19.16</b> | <b>287</b> | <b>48,181</b>           | <b>80.37</b> | <b>11,765</b> | <b>19.63</b> | <b>59,946</b>  |
| <b>2011</b>  |                 |              |           |              |            |                         |              |               |              |                |
| Purchase   | 67              | 82.72        | 14        | 17.28        | 81         | 17,096                  | 84.68        | 3,093         | 15.32        | 20,189         |
| Home Improvement   | 27              | 90.00        | 3         | 10.00        | 30         | 4,891                   | 95.10        | 252           | 4.90         | 5,143          |
| Refinance  | 114             | 80.85        | 27        | 19.95        | 141        | 30,941                  | 79.99        | 7,741         | 20.01        | 38,682         |
| <b>Subtotal 2011 HMDA</b>  | <b>208</b>      | <b>82.54</b> | <b>44</b> | <b>17.46</b> | <b>252</b> | <b>52,928</b>           | <b>82.68</b> | <b>11,086</b> | <b>17.32</b> | <b>64,014</b>  |
| <b>Total – HMDA</b>  | <b>440</b>      | <b>81.63</b> | <b>99</b> | <b>18.37</b> | <b>539</b> | <b>101,109</b>          | <b>81.57</b> | <b>22,851</b> | <b>18.43</b> | <b>123,960</b> |

Source: 2010 and 2011 HMDA LARs

As shown in Table 6, the Bank made 81.63 percent of total loans by number and 81.57 percent by dollar amount inside the assessment area. The concentration of loans inside the assessment area remained relatively stable from 2010 to 2011. The trend, by percentage, reflects positively on the Bank's performance under this criterion.

Additional analysis of home mortgage loans inside the assessment area by loan purpose was also performed. Refinance loans represented the largest portion of loans within the assessment area in each year. While the Bank decreased the number of refinance loans from 2010 to 2011 the percentage of refinance loans inside the assessment area increased. The Bank made a majority of home improvement and refinance loans inside the assessment area in both 2010 and 2011. A majority of the Bank's home purchase loans were also made inside the assessment area in 2010 and 2011.

Newburyport Five Cents Savings Bank ranked 5<sup>th</sup> out of 227 HMDA-reporting lenders in the assessment area in 2010, capturing approximately 5.24 percent of the market share. The vast majority of institutions ranked higher than the Bank were mortgage companies or large national or regional banks. The Bank's market share was higher for refinance loans and home improvement loans in the assessment area. The Bank captured approximately 24.56 percent of the market and ranked 1<sup>st</sup> for the home improvement loans and 3<sup>rd</sup> for refinanced loans. The competition level was highest for home purchase loans in the assessment area, as the Bank captured approximately 4.79 percent of the market share among 133 institutions.

### Small Business Lending

The Bank made a substantial majority of small business loans by number and dollar amount inside the assessment area during the review period. Table 7 shows the Bank's record of extending small business loans inside and outside the assessment area.

| <b>Table 7 – Distribution of Small Business Loans Inside and Outside the Assessment Area</b> |                        |              |                |          |              |                                  |              |                |          |               |
|--|------------------------|--------------|----------------|----------|--------------|----------------------------------|--------------|----------------|----------|---------------|
| <b>Year</b>  | <b>Number of Loans</b> |              |                |          |              | <b>Dollars in Loans \$(000s)</b> |              |                |          |               |
|  | <b>Inside</b>          |              | <b>Outside</b> |          | <b>Total</b> | <b>Inside</b>                    |              | <b>Outside</b> |          | <b>Total</b>  |
|  | <b>#</b>               | <b>%</b>     | <b>#</b>       | <b>%</b> |              | <b>\$</b>                        | <b>%</b>     | <b>\$</b>      | <b>%</b> | <b>\$</b>     |
| 2010   | 50                     | 89.29        | 6              | 10.71    | 56           | 7,761                            | 78.52        | 2,123          | 21.48    | 9,884         |
| 2011   | 60                     | 80.00        | 15             | 20.00    | 75           | 11,605                           | 80.02        | 2,897          | 19.98    | 14,502        |
| <b>Total</b>   | 110                    | <b>83.97</b> | 21             | 16.03    | 131          | 19,366                           | <b>79.41</b> | 5,020          | 20.58    | <b>24,386</b> |

Source: Bank Records – Small Business Data (2010, 2011)

As shown in the Table 7, the Bank made 83.97 percent, of total small business loans inside the assessment area during 2010 and 2011. Despite a slight decline by percentage in 2011, the Bank increased the volume of loans originated inside the assessment area. By dollar amount, approximately \$19.3 million, or 79.41 percent, were within the assessment area during 2010 and 2011. The percentage by dollar amount increased slightly during the review period.

### **Geographic Distribution**

Overall, the geographic distribution of home mortgage and small business loans reflects reasonable dispersion throughout the assessment area. Greater emphasis was placed on the Bank's level of lending in the assessment area's moderate-income census tract as the assessment area does not contain any low-income census tracts. The following sections discuss the Bank's performance under this criterion with regard to each product line.

### ***Home Mortgage Lending***

The distribution of the Bank's home mortgage lending reflects reasonable dispersion throughout the assessment area. Table 8 presents the Bank's home mortgage lending performance by number of loans in 2010 and 2011, as well as the 2010 aggregate market data. Table 8 also includes the percentage of owner-occupied housing units for each census tract income level for comparison purposes.

| <b>Table 8 – Distribution of Home Mortgage Loans by Census Tract Income Level</b> |  |   |                  |               |                  |               |
|---|--|---|------------------|---------------|------------------|---------------|
| <b>Census Tract Income Level</b>  | <b>% of Total Owner-Occupied Housing Units</b> | <b>2010 Aggregate Lending Data (% of #)</b> | <b>Bank 2010</b> |               | <b>Bank 2011</b> |               |
|   |  | <b>%</b>                                    | <b>#</b>         | <b>%</b>      | <b>#</b>         | <b>%</b>      |
| <b>Moderate</b>   | 12.84  | <b>8.45</b>                                 | 24               | <b>10.34</b>  | 14               | <b>6.73</b>   |
| <b>Middle</b>   | 62.82  | 62.50                                       | 161              | 69.40         | 148              | 71.15         |
| <b>Upper</b>  | 24.34  | 29.05                                       | 47               | 20.26         | 46               | 22.12         |
| <b>Total</b>  | <b>100.00</b>                                  | <b>100.00</b>                               | <b>232</b>       | <b>100.00</b> | <b>208</b>       | <b>100.00</b> |

Source: 2010 and 2011 HMDA Data, 2000 U.S. Census Data

In 2010, the Bank's lending within the moderate-income tract, at 10.34 percent, was greater than aggregate lending at 8.45 percent. The Bank's performance declined in 2011 as a result of the declining economy, with 6.73 percent of loans within the moderate-income census tract. Overall the Bank's originations declined by 10.34 percent from 2010 to 2011, taking this into account, the number of loans in the moderate-income tract were consistent for both years.

A review of the distribution of home mortgage loans by dollar amount did not reveal any additional information that would affect conclusions. The distribution of loans by number bears more weight on the Bank's rating than the distribution by dollar amount, because the number of loans correlates more closely to the number of individuals or families that were able to obtain home mortgage loans.

While not shown in Table 8, the distribution of the Bank's residential loans was also analyzed by loan purpose. In 2010, the Bank made 4 home purchases, 1 home improvement, and 19 refinance loans in the moderate-income census tract. In 2011, the Bank made 2 home purchases, 2 home improvements, and 10 refinance loans in these geographies. The Bank was effective in making loans for each purpose in the moderate-income tract.

Market data for 2010 indicates that the Bank captured 6.42 percent of the market share for all home mortgage loans reported in the assessment area's moderate-income tracts. The institution ranked 3rd out of 91 total lenders. This information further highlights the Bank's reasonable performance.

### ***Small Business Lending***

The geographic distribution of the Bank's small business loans reflects reasonable distribution throughout the assessment area.

Table 9 illustrates the Bank's small business lending activity in 2010 and 2011 by census tract income level, as well as the breakdown of businesses for comparison purposes.

| <b>Table 9 – Distribution of Small Business Loans by Census Tract Income Level</b> |                        |                  |              |                  |              |
|--|------------------------|------------------|--------------|------------------|--------------|
| <b>Census Tract Income Level</b>   | <b>% of Businesses</b> | <b>Bank 2010</b> |              | <b>Bank 2011</b> |              |
|  |                        | <b>#</b>         | <b>%</b>     | <b>#</b>         | <b>%</b>     |
| <b>Moderate</b>  | 12.6                   | 5                | 10.0         | 6                | 10.0         |
| <b>Middle</b>  | 69.1                   | 40               | 80.0         | 47               | 78.3         |
| <b>Upper</b>   | 18.3                   | 5                | 10.0         | 7                | 11.7         |
| <b>Total</b>   | <b>100.0</b>           | <b>50</b>        | <b>100.0</b> | <b>60</b>        | <b>100.0</b> |

*Source: Bank Records – Small Business Data (2010, 2011); D&B 2011 Business Data*

In 2010, the Bank's lending within the moderate-income tract, by number, was slightly less than the percentage of businesses in moderate-income geographies (12.57 percent). The Bank remained stable in its performance in 2011, with 10.0 percent of small business loans made within moderate-income tract. The Bank slightly increased its lending within this moderate-income geography, by number, in 2011. Small business lending increased overall from 2010 to 2011. This information supports the Bank's reasonable performance.

### **Borrower Characteristics**

Overall, the distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes. The overall conclusion is based on the distribution of home mortgage loans to low- and moderate-income individuals, and the Bank's performance in lending to businesses with GARs under \$1 million. The following sections discuss the Bank's performance under this criterion with regard to each product line.

### ***Home Mortgage Lending***

The Bank's performance of home mortgage lending by borrower income level is reasonable. Borrower incomes for loans reported in 2010 and 2011 were compared to the MFI for the Peabody, MA MD. Table 10 shows the Bank's loans by borrower income level in 2010 and 2011. Table 10 also includes the distribution of families by income level and the aggregate market data for 2010 for comparison purposes.

| <b>Table 10 – Distribution of Home Mortgage Loans by Borrower Income</b> |                         |   |                  |               |                  |               |
|--|-------------------------|---|------------------|---------------|------------------|---------------|
| <b>Family Income Level</b>   | <b>% Total Families</b> | <b>2010 Aggregate Lending Data (% of #)</b> | <b>Bank 2010</b> |               | <b>Bank 2011</b> |               |
|  |                         | <b>%</b>                                    | <b>#</b>         | <b>%</b>      | <b>#</b>         | <b>%</b>      |
| <b>Low</b>   | 16.81                   | <b>3.91</b>                                 | 9                | <b>3.88</b>   | 9                | <b>4.33</b>   |
| <b>Moderate</b>  | 18.72                   | <b>13.79</b>                                | 32               | <b>13.79</b>  | 32               | <b>15.38</b>  |
| <b>Middle</b>  | 23.40                   | 24.37                                       | 60               | 25.86         | 25               | 12.02         |
| <b>Upper</b>   | 41.07                   | 42.92                                       | 118              | 50.87         | 132              | 63.46         |
| <b>NA</b>  | 0.00                    | 15.01                                       | 13               | 5.60          | 10               | 4.81          |
| <b>Total</b>   | <b>100.00</b>           | <b>100.00</b>                               | <b>232</b>       | <b>100.00</b> | <b>208</b>       | <b>100.00</b> |

*Source: 2000 U.S. Census, 2010 and 2011 HMDA LAR, 2010 HMDA Aggregate Data*

The Bank originated 3.88 percent and 4.33 percent of all assessment area loans to low-income borrowers in 2010 and 2011, respectively. The Bank's performance in 2010 was comparable to the aggregate's performance and the Bank's performance increased in 2011. This trend further supports the Bank's reasonable performance.

The Bank originated 13.79 percent and 15.38 percent of its loans to moderate-income borrowers in 2010 and 2011, respectively. The Bank's percentage in 2010 matched the aggregate's percentage, at 13.79 percent. The Bank's performance is reasonable based on comparisons to aggregate data and demographic data.

The Bank's residential loans were also analyzed by purpose and borrower income. In 2010, 1 purchase loan and 8 refinance loans were made to low-income borrowers. The Bank made 13 home purchase, 2 home improvement, and 17 refinance loans to moderate-income borrowers. In 2011, 4 purchase loans, 1 home improvement loan and 4 refinance loans were made to low-income borrowers. The Bank made 13 home purchase, 6 home improvement, and 13 refinance loans to moderate-income borrowers. The Bank's lending by loan purpose shows a stable lending trend. The review did not reveal any patterns that would yield different conclusions under this performance factor.

The 2010 market rank reports indicated that the Bank ranked 4<sup>th</sup> out of 62 lenders in loans to low-income borrowers in the assessment area, with a market share of 5.2 percent. The Bank's market share among to low-income borrowers was comparable to its overall market share of 5.24 percent in 2010. Additionally, the Bank ranked 3<sup>rd</sup> out of 106 institutions in lending to moderate-income borrowers, with a market share of 5.25 percent.

### ***Small Business Lending***

The distribution of the Bank's small business loans by GARs and loan size is reasonable. Table 11 illustrates the number of the Bank's small business loans in the assessment area by level of GARs. Table 11 also shows the percentage of total businesses in the assessment area by level of GARs for comparison purposes.

| <b>Table 11 – Distribution of Small Business Loans by Gross Annual Revenues of Business</b> |                              |                  |               |                  |               |
|---|------------------------------|------------------|---------------|------------------|---------------|
| <b>GAR \$(000s)</b>   | <b>% of Total Businesses</b> | <b>Bank 2010</b> |               | <b>Bank 2011</b> |               |
|   |                              | <b>#</b>         | <b>%</b>      | <b>#</b>         | <b>%</b>      |
| ≤ \$1,000   | 70.59                        | 39               | 78.00         | 44               | 73.33         |
| > \$1,000 or N/A  | 29.41                        | 11               | 22.00         | 16               | 26.67         |
| <b>Total</b>  | <b>100.00</b>                | <b>50</b>        | <b>100.00</b> | <b>60</b>        | <b>100.00</b> |

*Source: Bank Records – Small Business Data (2010, 2011); D&B 2011 Business Data*

In 2011, the Bank extended 44, or 73.33 percent, of its small business loans inside the assessment area to businesses with GARs of \$1 million or less. This performance is greater than the percentage of total businesses within the assessment area with GARs of \$1 million or less. The Bank's performance improved, by number, from 2010 to 2011; however, the Bank's percentage decreased slightly.

The Bank made a majority of small business loans in each year to small businesses. Additionally, the Bank's improving trend, by number, in 2011 also justifies its performance as reasonable.

The loans to businesses with GARs of \$1 million or less within the Bank's assessment area were further analyzed to determine the typical loan amount at origination. This analysis is based on the supposition that loans of smaller amounts are most likely made to very small businesses. Thus, it is viewed favorably when banks have a high percentage of loans made in amounts of less than \$100,000. Table 12 illustrates the Bank's small business loans by loan amount.

| <b>Table 12 – Distribution of Small Business Loans by Loan Size</b> |                  |              |                  |              |
|---|------------------|--------------|------------------|--------------|
| <b>Loan Amount (000s)</b>   | <b>Bank 2010</b> |              | <b>Bank 2011</b> |              |
|   | <b>#</b>         | <b>%</b>     | <b>#</b>         | <b>%</b>     |
| < \$100   | 35               | 70.0         | 36               | 60.0         |
| ≥\$100 < \$250  | 2                | 4.0          | 9                | 15.0         |
| ≥\$250 ≤ \$1,000  | 13               | 26.0         | 15               | 25.0         |
| <b>Total</b>  | <b>50</b>        | <b>100.0</b> | <b>60</b>        | <b>100.0</b> |

*Source: Bank Records – Small Business Data (2010, 2011)*

As Table 12 indicates, 70.0 percent and 60.0 percent of the Bank's loans to small businesses in the assessment area in 2010 and 2011, respectively, were for amounts less than \$100,000. These percentages demonstrate the Bank's commitment to meeting the credit needs of small businesses in the assessment area. The Bank's record of extending small loans to businesses reflects reasonable performance in meeting the credit needs of small businesses in the Bank's assessment area.

### **Response to CRA Complaints**

The Bank received no CRA-related complaints during the evaluation period. It was noted that the Bank maintains procedures to handle all incoming complaints, including those relating to its CRA performance.



## COMMUNITY DEVELOPMENT TEST

The Community Development Test evaluates the Bank's responsiveness to the community development needs of its assessment area through the provision of community development loans, qualified investments, and community development services as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment area(s). The Bank's community development performance demonstrates good responsiveness to the needs of the assessment area.

### *Qualified Community Development Lending*

For the purpose of this evaluation, a community development loan is defined as a loan that: (1) has community development as its primary purpose, (2) has not already been reported by the Bank for consideration under small business or home mortgage lending (unless it is a multi-family dwelling loan, and (3) benefits the Bank's assessment area(s) or a broader statewide or regional area that includes the Bank's assessment area(s).

During the evaluation period, the Newburyport Five Cent Savings Bank originated five community development loans totaling \$3.1 million, which represents 0.5 percent of total assets and 0.6 percent of total loans, as of March 31, 2012. These community development loans were made in the form of multi-family loans. The loans were secured by properties offering below market rents and providing affordable housing opportunities to the assessment area. It should be noted that during the previous evaluation period, the Bank also originated five qualified community development loans totaling \$1.7 million in its assessment area. The increase in dollar amount at the current evaluation is positive given the economic constraints experienced during the evaluation period. Table 13 contains the community development loans originated during the evaluation period.

| Table 13 –Multi-Family Loans |                    |                 |                |              |
|------------------------------|--------------------|-----------------|----------------|--------------|
| Origination Date             | Amount             | Number of Units | Range of Rents | Census Tract |
| 5/29/2009                    | \$340,000          | 7               | \$625 - \$950  | Middle       |
| 5/26/2011                    | \$517,500          | 14              | \$650 - \$960  | Middle       |
| 10/4/2011                    | \$550,000          | 11              | \$650 - \$900  | Middle       |
| 3/30/2012                    | \$850,000          | 11              | \$650 - \$900  | Middle       |
| 3/30/2012                    | \$850,000          | 16              | \$650 - \$925  | Middle       |
| <b>Total</b>                 | <b>\$3,107,500</b> | <b>59</b>       |                |              |

As displayed in Table 13, the rents are considered affordable as defined by the US Department of Housing and Urban Development (HUD). HUD determines affordability with a Fair Market Rent (FMR) Calculation. For the purposes of this examination, the properties are part of the Boston-Cambridge-Quincy, MA-NH HUD Metro FMR Area. Rents in this area range from \$1,099 for a studio to \$1,799 for a four-bedroom unit. The rents contained in the table are clearly below the FMR and allow low- and moderate-income individuals and families the opportunity to obtain affordable housing.

### ***Qualified Community Development Investments***

A qualified investment for the purpose of this CRA evaluation is a lawful investment, deposit, or grant that has community development as its primary purpose. The evaluation considered (1) investment and grant activity, (2) the responsiveness to credit and community development needs, and (3) community development initiatives.

During the evaluation period, the Newburyport Five Cent Savings Bank had approximately \$1.5 million in qualified investments and donations. During the prior evaluation period, the Bank had approximately \$1 million in qualified investments and donations. The level of investments is considered adequate.

### ***Qualified Investments***

During the evaluation period, the Bank made a \$1 million investment in the CRA Qualified Investment Fund administered by Community Capital Management. The Fund seeks to invest in high quality, fixed-income, securities that support community development activities. As of March 31, 2012, the Fund allocated \$368,000 to the Bank through Fannie Mae (FNMA) loan pools. Each of the FNMA loan pools is considered qualified and all of the underlying loans are located in the Bank's assessment area.

### ***Qualified Donations***

Newburyport Five Cents Savings Bank provides donations in two ways: 1) routine Bank donations and grants, and 2) funds distributed from the Newburyport Five Cents Savings Bank Charitable Foundation (the "Foundation"). The Bank started the Foundation in 2003 as a non-profit charitable foundation to further carry out the Bank's long history of community involvement, specifically, providing grants to non-profit organizations located within the greater Newburyport area.

Since the previous evaluation, dated January 20, 2009, the Foundation made a total of \$524,205 in contributions. Of these contributions, approximately 50 percent, or \$259,261, are qualified donations. Some of the organizations benefiting from the contributions include food pantries, homeless shelters, youth education programs, family support programs and social service programs. Benefitting entities include The Pettengill House, Jump Start Youth Connection, Inc., Jeannie Geiger Crisis Center, Inc. and Our Neighbor's Table.

The Bank's contributions since the previous evaluation totaled \$967,667. Of this total, \$259,355 qualifies as community development investments. The qualified donation totals were \$102,605 in 2009, \$57,800 in 2010, \$66,850 in 2011, and 32,100 in year-to-date (YTD) 2012. For each of these years, the qualified donations, as a percentage of total donations, were 38.3 percent, 17.6 percent, 22.4 percent, and 45.5 percent, respectively. There were no grants or donations targeted for revitalization or stabilization or economic development of low- or moderate-income geographies. Table 14 contains a summary of the donation activity by community development category.

| <b>Table 14 -Qualified Community Development Grants &amp; Donations</b> |             |                |             |               |             |               |             |               |
|---|-------------|----------------|-------------|---------------|-------------|---------------|-------------|---------------|
| <b>Community Development Category</b>                                   | <b>2009</b> |                | <b>2010</b> |               | <b>2011</b> |               | <b>2012</b> |               |
|   | <b>#</b>    | <b>\$</b>      | <b>#</b>    | <b>\$</b>     | <b>#</b>    | <b>\$</b>     | <b>#</b>    | <b>\$</b>     |
| Affordable Housing  | 0           | 0              | 1           | 200           | 2           | 8,000         | 1           | 5,000         |
| Community Services  | 27          | 102,605        | 21          | 57,600        | 23          | 58,850        | 9           | 27,100        |
| <b>Total</b>  | <b>27</b>   | <b>102,605</b> | <b>22</b>   | <b>57,800</b> | <b>25</b>   | <b>66,850</b> | <b>10</b>   | <b>32,100</b> |
| Pre-Tax Net Operating Income (NOI)                                      | \$6,602,000 |                | \$9,854,000 |               | \$9,064,000 |               | \$1,775,000 |               |
| <b>Donations/Pre-Tax NOI</b>  | 1.55%       |                | 0.59%       |               | 0.74%       |               | 1.81%       |               |

Qualified donations, as a percentage of pre-tax net operating income (NOI), represented 1.55 percent, 0.59 percent, 0.74 percent and 1.81 percent in 2009, 2010, 2011, and YTD 2012, respectively. For the entire review period, donations as a percentage pre-tax NOI were 1.1 percent.

The following is a sample of the organizations that benefited from the Bank's and the Foundation's contributions.

**The Pettengill House, Inc:** This non-profit community service agency provides support, services, and education to local men, women, and children. The organization, which receives 100 percent of its funding from grants and donations, provides basic emergency assistance to local residents and operates a food pantry. In addition, this organization delivers hot meals to residents in need. The majority of the organizations recipients are low- or moderate-income individuals.

**Coastal Homebuyer Education, Inc:** This agency provides homebuyer seminars in English and Spanish, down payment assistance, and homebuyer selection lottery programs, working with low- and moderate-income homebuyers.

**Our Neighbor's Table:** This non-profit organization operates a food pantry and provides a number programs and services targeted towards supporting and strengthening the greater Amesbury community, focusing on the needs of the low- to moderate-income families and individuals in the community.

**Jeanne Geiger Crisis Center:** This organization provides free social services to low- and moderate-income children and families, offering emergency shelter, individual counseling, community outreach, and education. The center also provides free workshops that cover financial coaching and budgeting, as well as other related topics.

**Elder Services of Merrimack Valley, Inc:** This private, non-profit agency assists senior residents who reside in the 23 cities and towns comprising the Merrimack Valley. The majority of the seniors are low- or moderate-income. The agency helps seniors obtain services such as food stamps, healthcare, and other services to help them maintain an independent lifestyle. This agency is federally designated as the Area Agency on Aging and manages the State Home Care Program.

### ***Qualified Community Development Services***

The CRA regulation defines a community development service as having community development as its primary purpose and is related to the provision of financial services. Detailed below is a summary of the Bank's qualified community development services. It is noted that Bank officers and employees volunteer a relatively high amount of time and expertise to these community organizations.

The following information summarizes the Bank's qualified community development activity.

**Small Business Banking Partnership:** The Bank participates in this statewide program developed by the Commonwealth of Massachusetts, Office of the State Treasurer and Receiver General ("Treasury"). The primary aim of the partnership is to place significant funds on deposit with financial institutions with the purpose of leveraging such deposits by requiring the institution to allocate the funds towards loan programs that seek to generate and/or create jobs, and achieve greater economic stability through urban revitalization in low- and moderate-income census tracts.

### **Involvement in Community Organizations**

**Newburyport YWCA:** The YWCA offers a variety of programs for local families, including affordable housing, affordable child care, and subsidized camp assistance for families in need. The YWCA focuses on assisting low- and moderate-income families and individuals. The President of the Bank serves as a committee treasurer.

**Amesbury Affordable Housing Trust:** The organization's mission is to support and supply suitable housing to low- and moderate-income individuals and families within Amesbury. A senior vice president serves on the board of this organization.

**Jumpstart Youth Connection, Inc:** This non-profit organization provides academic, social, and physical education opportunities to youth in the Bank's assessment area. All of the children are referred to the organization through the Department of Mental Health and the Department of Social Services. Over 90 percent of the children served by the organization's summer camp program are low- or moderate-income. A senior vice president serves on the board of this organization.

**Boys and Girls Club of Lower Merrimack Valley:** This organization provides numerous after school activities for its members, of which the majority is low- or moderate-income. The services include basic life skills for single parent teenagers, and social support services (subsidized by the State). Multiple members of the Bank's Board and senior management team serve on the board of this organization.

### **Educational Seminars and Other Lending Services**

The Bank's loan officers provided their financial expertise by conducting and teaching first-time homebuyer and affordable housing programs in concert with the Amesbury First-Time Homebuyers Program, as well as the Coastal First-Time Homebuyers Program. These programs were provided several times a year.

The Bank offers free pre-qualifications, affordable housing financing, SBA 504 loans, and flexible underwriting for non-profit organizations.

### Other Retail Banking Activity

The Bank participates in the Basic Banking for Massachusetts program through the Massachusetts Community Banking Council. The statewide program is designed to offer low-cost checking and savings accounts to low- and moderate-income individuals.

The Bank participates in the Interest on Lawyers' Trust Account (IOLTA) Program. Interest earned on the account is utilized to help fund improvements in the administration of justice and delivery of legal services to low-income clients. The Bank has been named a "Leadership Institution" by going above and beyond the eligibility requirements of the Rule by paying a net interest rate on all IOLTA funds of at least 1.0 percent APY. The Bank contributed \$9,127 in interest for 2009; \$7,535 for 2010; 5,011 for 2011; and as of May 31, 2012, the Bank contributed \$1,704; for a total of \$23,377.

The Bank is also a member of the SUM network, an alliance between many community banks that have agreed to not assess ATM surcharges to any other member bank's customers. This service is of particular benefit to low- and moderate-income individuals

During the evaluation period, the Bank offered community meeting space, and allowed its branch offices to be used as collection points for local community development organizations that assist low- and moderate-income individuals. These activities included food drives and coat drop-offs for low- and moderate-income individuals and families in the assessment area.

**Appendix A**  
**Division of Banks**  
***Fair Lending Policies and Procedures***

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 2.3-101.

The Bank has a written fair lending policy. The Bank has a second review process.

All employees are provided with training appropriate to their job description and responsibilities in fair lending issues.

The Bank has 2 bilingual employees. Languages spoken are: Greek, Italian, and Spanish.

Based upon the review of the Bank's public comment file and its performance relative to fair lending policies and practices, no violations of the anti-discrimination laws and regulations were identified.

**MINORITY APPLICATION FLOW**

According to the 2000 U.S. Census Data, the Bank's assessment area contained a total population of 60,266 individuals of which 2.9 percent are minorities. The assessment areas minority and ethnic population is 0.4 percent Black/African American, 0.5 percent Asian/Pacific Islander, 0.2 percent American Indian, 0.9 percent Hispanic, and 0.8 percent other.

For 2010 and 2011, the Bank received 511 HMDA reportable loan applications from within its assessment area. Of these applications, 8 or 1.6 percent were received from minority applicants, of which 6 or 75 percent resulted in originations. For the same time period, the Bank also received 9 applications or 1.8 percent from ethnic groups of Hispanic origin within its assessment area of which 7 or 77.8 percent were originated.

The Bank's level of lending was compared with that of the aggregate's lending performance levels for the most recent year that data was available, the year 2010. The comparison of this data assists in deriving reasonable expectations for the rate of applications the Bank received from minority residential loan applicants. Refer to the table below for information on the Bank's minority application flow as well as the aggregate lenders (excluding the Bank) in the Bank's assessment area.

| MINORITY APPLICATION FLOW      |                |              |                     |              |                |              |            |              |
|--------------------------------|----------------|--------------|---------------------|--------------|----------------|--------------|------------|--------------|
| RACE                           | 2010 Bank Data |              | 2010 Aggregate Data |              | 2011 Bank Data |              | Bank Total |              |
|                                | #              | %            | #                   | %            | #              | %            | #          | %            |
| American Indian/ Alaska Native | 1              | 0.4          | 7                   | 0.1          | 1              | 0.4          | 2          | 0.4          |
| Asian                          | 0              | 0.0          | 23                  | 0.4          | 1              | 0.4          | 1          | 0.2          |
| Black/ African American        | 0              | 0.0          | 6                   | 0.1          | 0              | 0.0          | 0          | 0.0          |
| Hawaiian/ Pacific Isl.         | 0              | 0.0          | 1                   | 0.0          | 0              | 0.0          | 0          | 0.0          |
| 2 or more Minority             | 0              | 0.0          | 0                   | 0.0          | 0              | 0.0          | 0          | 0.0          |
| Joint Race (White/Minority)    | 1              | 0.4          | 28                  | 0.5          | 4              | 1.4          | 5          | 1.0          |
| <b>Total Minority</b>          | <b>2</b>       | <b>0.9</b>   | <b>65</b>           | <b>1.2</b>   | <b>6</b>       | <b>2.2</b>   | <b>8</b>   | <b>1.6</b>   |
| White                          | 215            | 92.7         | 4,078               | 77.2         | 244            | 87.5         | 459        | 89.8         |
| Race Not Available             | 15             | 6.5          | 1,139               | 21.6         | 29             | 10.4         | 44         | 8.6          |
| <b>Total</b>                   | <b>232</b>     | <b>100.0</b> | <b>5,282</b>        | <b>100.0</b> | <b>279</b>     | <b>100.0</b> | <b>511</b> | <b>100.0</b> |
| <b>ETHNICITY</b>               |                |              |                     |              |                |              |            |              |
| Hispanic or Latino             | 3              | 1.3          | 19                  | 0.4          | 2              | 0.7          | 5          | 1.0          |
| Not Hispanic or Latino         | 208            | 89.7         | 4,062               | 76.9         | 237            | 85.0         | 445        | 87.1         |
| Joint (Hisp/Lat/Not Hisp/Lat)  | 2              | 0.9          | 27                  | 0.5          | 2              | 0.7          | 4          | 0.8          |
| Ethnicity Not Available        | 19             | 8.2          | 1,174               | 22.2         | 38             | 13.6         | 57         | 11.2         |
| <b>Total</b>                   | <b>232</b>     | <b>100.0</b> | <b>5,282</b>        | <b>100.0</b> | <b>279</b>     | <b>100.0</b> | <b>511</b> | <b>100.0</b> |

The Bank's performance was slightly lower than the 2010 aggregate's performance level for minority applicants. The Bank's performance was higher than the 2010 aggregate's performance for ethnic minorities. The Bank received 2.2 percent while the aggregate received 0.9 percent for ethnic minorities.

The Bank's minority application flow, when compared to the aggregate's lending performance levels and the assessment area demographics, is adequate.

## **APPENDIX B**

### *General Definitions*

#### **GEOGRAPHY TERMS**

**Census Tract:** Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Metropolitan Area (MA):** One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

**Metropolitan Statistical Area (MSA):** One or more metropolitan areas that have economic and social ties.

**Primary Metropolitan Statistical Area (PMSA):** A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

**Consolidated Metropolitan Statistical Area (CMSA):** The larger area of which PMSAs are component parts.

**Non-Metropolitan Area:** All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.



## **HOUSING TERMS**

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

## **INCOME TERMS**

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

**Family Income:** Includes the income of all members of a family that are age 15 and older.

**Household Income:** Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

**Upper-Income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

**HUD Adjusted Income Data:** The U.S. Department of Housing and Urban Development (“HUD”) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

## **OTHER TERMS**

**Home Mortgage Disclosure Loan Application Register (HMDA LAR):** The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

**Small Business Loan:** A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income. These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income. These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

## **PERFORMANCE EVALUATION DISCLOSURE GUIDE**

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation, at 63 State Street, Newburyport, MA 01950."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.